

Message Text

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O 262230Z JAN 76
FM SECSTATE WASHDC
TO AMEMBASSY CAIRO IMMEDIATE

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TAGS: OVIP (SIMON, WILLIAM)

SUBJECT: SECRETARY SIMON'S TRIP TO EGYPT
REF: CAIRO 00586

1. WASHINGTON AGENCIES HAVE BEGUN TO FOCUS ON MAIN
SUBJECTS AND ACCOMPLISHMENTS LIKELY TO ARISE OUT OF
SECRETARY SIMON'S TRIP TO EGYPT. WE FEEL THAT
OBJECTIVE OF VISIT SHOULD BE TO USE SECRETARY'S
PRESENCE TO ADVANCE SOME OF THE CAUSES WE HAVE BEEN
PURSUING BOTH THROUGH EMBASSY AND IN JOINT COMMISSION
FRAMEWORK TO IMPROVE INVESTMENT, ECONOMIC AND FINANCIAL
CLIMATE, WHILE AT THE SAME TIME DEMONSTRATING TO
EGYPTIAN OFFICIALS AND PUBLIC THAT U.S.-EGYPTIAN
RELATIONS IN PAST YEAR AND A HALF HAS BEEN WORTHWHILE
AND, BEYOND THIS, FRUITFUL. FOLLOWING ARE SOME OF
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OUR IDEAS ON HOW THIS MIGHT BE ACCOMPLISHED.

2. IT WOULD BE HIGHLY SYMBOLIC IF U.S. COULD ANNOUNCE DURING SIMON VISIT DECISION TO DEPOSIT PORTION OF U.S. LOCAL CURRENCY HOLDINGS WITH JOINT VENTURE BANKS, ESTABLISHMENT OF WHICH WAS AN IMPORTANT SUBJECT OF SIMON'S FIRST TRIP. THIS ANNOUNCEMENT WOULD BE VIEWED AS IMPORTANT DEMONSTRATION OF EGYPT'S

DETERMINATION TO DEVELOP PRIVATE SECTOR AND TAKE DIRECT, POSITIVE STEPS TO MAKE CLIMATE ATTRACTIVE FOR FOREIGN INVESTORS.

3. HOWEVER, DEMONSTRATION OF ENCOURAGEMENT TO BANKS TO PLAY CONSTRUCTIVE ROLE IN DEVELOPMENT OF PRIVATE SECTOR WILL NOT BE VERY GREAT IF ALL FUNDS REQUIRED TO BE HELD IN BLOCKED ACCOUNT WITH CENTRAL BANK. THEREFORE, REQUEST EMBASSY URGE GOE OFFICIALS TO UNFREEZE CERTAIN PORTION OF DEPOSITS AND ALLOW BANKS TO PAY COMPETITIVE INTEREST RATE ON USG DEPOSITS WHICH WOULD ALSO ELIMINATE DANGER OF "WINDFALL" PROFITS FOR THE BANKS. BLOCKED DEPOSITS COULD CONTINUE TO EARN 1 PERCENT. WE ASSUME THAT GOE REACTION DIRECTLY RELATED TO SUM INVOLVED AND EMBASSY AUTHORIZED TO WORK OUT, AD REFERENDUM, BEST DEAL POSSIBLE. INITIALLY WE MIGHT SEEK TO OBTAIN REDUCTION IN BLOCKED ACCOUNT TO 60-70 (IN ADDITION TO 20 RESERVE REQUIREMENT), FREEING 10-20 FOR OTHER USES BY BANKS. DECISIONS ON THESE ACTIONS NEEDED NO LATER THAN MID-FEBRUARY TO ARRANGE FOR DEPOSITS WITH U.S. BANKS AND ANNOUNCEMENT DURING SIMON VISIT. HAVE NECESSARY GOE APPROVALS AND AUTHORIZATION FOR TRANSFER OF FUNDS TO CHASE ON CURRENTLY EXISTING TERMS BEEN OBTAINED? IF NOT, REQUEST EMBASSY SEEK SUCH APPROVALS, IF POSSIBLE, INDEPENDENTLY OF ACTIONS REQUESTED ABOVE.

4. WE HAVE DISCUSSED WITH PURCELL OF GOODYEAR WHAT IF ANYTHING COULD BE DONE DURING SECRETARY'S VISIT WITH RESPECT TO PUBLIC EXPOSURE OF POTENTIAL GOODYEAR INVESTMENT. GOODYEAR DOES NOT BELIEVE IT LIMITED OFFICIAL USE

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WOULD BE POSSIBLE TO ARRANGE SIGNATURE OF SHAREHOLDERS AGREEMENT BY THAT TIME. ONLY OTHER EVENT THAT COULD BE READY WOULD BE ISSUANCE OF PRESS STATEMENT BY COMPANY ANNOUNCING GOODYEAR DECISION TO INVEST IN NEW TIRE COMPANY IN EGYPT. THIS MIGHT BE DONE IN CAIRO WHEN

SECRETARY IS THERE. TO ACCOMPLISH THIS GOODYEAR WOULD REQUIRE FROM EGYPTIAN SIDE: APPROVAL BY

INVESTMENT AUTHORITY OF PROPOSAL NOW BEFORE IT AND LETTER BY FINANCE MINISTER ASSURING AVAILABILITY FOREIGN EXCHANGE. THESE WOULD HAVE TO BE ISSUED NO LATER THAN FEBRUARY 1, IN ORDER THAT GOODYEAR BOARD WHICH MEETS FIRST TUESDAY OF EACH MONTH COULD APPROVE PROJECT ON BEHALF OF COMPANY. PURCELL INDICATES THAT ALTHOUGH MANAGEMENT HAS MADE GENERAL DECISION TO INVEST IN THIS PROJECT IF TERMS ACCEPTABLE, AND SELECTED MEMBERS OF GOODYEAR'S BOARD ARE ACQUAINTED WITH THIS POSITION, FORMAL APPROVAL BOARD REMAINS NECESSARY.

5. GOODYEAR LAWYERS HAVE PROVIDED US WITH A GENERAL IDEA OF OPERATIVE STATEMENT FINANCE MINISTER'S LETTER SHOULD CONTAIN, AS FOLLOWS:

QUOTE:

THE APPROVAL BY THE BOARD OF THE GENERAL AUTHORITY FOR ARAB AND FOREIGN INVESTMENT OF THE PROPOSAL AND APPLICATION SUBMITTED BY THE GOODYEAR TIRE AND RUBBER COMPANY FOR A TIRE FACTORY IN THE ARAB REPUBLIC OF EGYPT TO BE BUILT AND OPERATED BY GOODYEAR-EGYPT (REFERENCE - FILL IN THE IDENTIFYING APPROVAL NUMBER OR SOME SPECIFIC REFERENCE) IS ACKNOWLEDGED HEREWITH. ASSURANCE IS HEREBY GIVEN TO GOODYEAR-EGYPT THAT FOREIGN EXCHANGE WILL BE MADE AVAILABLE TO COVER THE RAW MATERIAL REQUIREMENTS OF THE PROPOSAL AS SUBMITTED AND SUCH FURTHER RAW MATERIAL REQUIREMENTS AS MAY RESULT FROM FUTURE EXPANSION CARRIED OUT UNDER APPROVAL BY THE ARAB REPUBLIC OF EGYPT. END QUOTE.

6. WE UNDERSTAND INVESTMENT AUTHORITY IS SCHEDULED LIMITED OFFICIAL USE

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TO VOTE ON GOODYEAR PROPOSAL AT ITS JANUARY MEETING. WE APPRECIATE PROBLEM OF EXTREMELY TIGHT TIMETABLE BUT FEEL IT SUFFICIENTLY IMPORTANT TO TRY TO ARRANGE FOR APPROVAL OF AUTHORITY AND FIN MIN LETTER IN TIME TO ENABLE GOODYEAR BOARD TO VOTE ON PROJECT. UNLESS EMBASSY PERCEIVES OBJECTION, REQUEST YOU NOTIFY APPROPRIATE EGYPTIANS OF SUBSTANCE OF PARAS 5,6 AND 7, AND URGE SWIFT ACTION IN HOPES GOODYEAR DECISION CAN BE ANNOUNCED DURING SIMON VISIT.

7. TO FURTHER HIGHLIGHT SINCERITY OF U.S. EFFORT TO ASSIST EGYPT WITH ITS "OPEN DOOR" POLICY SECRETARY

WOULD BE PREPARED TO MEET BRIEFLY WITH SOME OR ALL OF EGYPTIAN MEMBERS OF JOINT BUSINESS COUNCIL DURING

HIS VISIT. WOULD CONTEMPLATE ABOUT 1-HOUR SESSION
OF INFORMAL EXCHANGE OF VIEWS. UNLESS YOU PERCEIVE
DIFFICULTIES WITH THIS, REQUEST EMBASSY CONTACT
EFFAT TO ARRANGE FOR THIS SESSION.

8. WE WOULD APPRECIATE ANY VIEWS EMBASSY MAY HAVE
ON THESE OR OTHER ISSUES AND AREAS SECRETARY COULD
EXPLORE AND/OR ADVANCE DURING HIS VISIT ASAP.
WOULD ALSO APPRECIATE TIMELY FOLLOW-UP AND REPORTS
TO ENABLE US TO ASSESS EXTENT OF EFFORTS WE WILL
NEED TO MAKE TO ENSURE VISIT IS SUCCESSFUL.

9. WE COULD ADDRESS ADDITIONAL DETAILS OF THESE AND
POSSIBLE OTHER ACTIVITIES WHEN WE HAVE MORE INFOR-
MATION ON WHO WILL BE GOE HOST FOR SECRETARY SIMON
(SEE PARA 1 REFTEL). KISSINGER

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